The MORTGAGE BANKER

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The Postwar Outlook as I See It

This banker thinks any reduction of present mortgage interest rate would have bad effect on market

By H. R. TEMPLETON

WHAT lies ahead in the postwar building field? The answer at least partially lies in whether or not it will be possible to control wages and costs of materials and secure materials of which we may have a shortage. If we can do these things, a large volume of building awaits us. Even if we cannot control wages and materials costs, but are able to secure materials, a large building program will be done, attended by mounting costs and increasing prices for existing structures; in other words, it will be a form of inflation.

Many groups in private enterprise are busy with postwar planning seeking to determine how to absorb the labor that may be released from industry during the conversion period. This planning is in addition to the efforts being made by what I term political or professional planners in government employ.

I think we must accept the fact that there will be unemployment in the conversion period. These planners are endeavoring to determine how much "private capital" building and how much "politically-sponsored" building paid for from public funds will be available. They are trying to mesh the two together so that there will be no excess demand for labor at one time and an excess supply of labor at another. They are honestly trying to do a good job. If they are successful in determining these things and securing the cooperation of all private and governmental interests, it can be expected that private construction will proceed with public construction filling in the slack periods. It is a worthwhile effort, but it may be difficult of operation.

I might hazard the guess that with our heavy federal debt, it might be well to stay away from "pork barreling" and give private construction the right of way. But will this happen? The political representatives of the people have the idea that they must always secure for their districts a proper share of the spoils in the way of public buildings, highways, etc.

I believe rent regulations, priorities and all such controls must be relaxed as soon as possible. We must of course retain some control to keep inflation within some bounds; but regulations, controls and priorities and all such interference with every-day life is going to be decidedly unpopular with most of us after the end of the war. Here is how I would summarize the outlook:

Harry Templeton's views on the mortgage business, present and future, have always interested MBA members in the past. Here is a condensation of his most recent observations. The portions omitted have to do only with his home city of Cleveland where he is vice president of The Cleveland Trust Company.

1. We will not entirely escape some degree of inflation. Our existing federal debt has already created inflation.

2. Real estate has already been affected by this inflation and will be further affected.

3. If mortgage financing remains on a conservative basis, it can restrict, to some degree, a run-away real estate market.

4. There is a direct relationship between the income from a property and the value of that property. The economic return from a property should influence the value. The reproduction cost is not the sole measure of value. The value of a dwelling, used as a home, has additional factors influencing its worth to the individual; but to the lending institutions and to the general public, its value should be determined by its "shelter worth."

5. We can not at this time get into the real estate difficulties we experienced in the early 1930's. We are not creating real estate debt on the same basis that we did in the 1920's; and the amortization of existing debt is at a greatly accelerated rate over that of the 1920's. This can cease to be true and we can get into real estate difficulties if we again commit the same sins we did in the 1920's. One of the most obvious sins was the belief that new high prices make new normal prices. Another was permitting overbuying in relation to normal income.

6. We will have a good demand for new and existing houses in the postwar period. This demand should be

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LOOKING AHEAD TO MBA'S 1944 CONFERENCE

Gov. Dwight Green of Illinois to Speak at Opening Session of MBA Conference

This is the fourth article about the speakers who will address MBA's 31st annual business meeting and Conference on War and Postwar Mortgage Conference in October. Previous articles in Local Chapter News and The Mortgage Banker have been about Eric A. Johnston, president, U. S. Chamber of Commerce; Dr. E. C. Young, Purdue University, who will speak on trends in farm mortgage lending; and E. K. Hardy, president, National Council of Real Estate Taxpayers, and John S. Clark, Cook County, Illinois, Assessor, who will speak on economic return as the basis for real estate taxes. The fifth article appears on the opposite page. Others will appear soon.

The other day Gov. Dwight Green of Illinois sent a letter to his state's postwar planning commission enlisting its aid in a broadscale program for promoting the growth of Chicago. His letter clearly indicated that he has a full and keen appreciation of the postwar problems facing American cities because, as the *Chicago Overseas Tribune* observed, these problems "are peculiar not merely to Chicago but to all metropolitan centers."

MBA members will have an opportunity to hear this interesting young Republican governor at the October Conference when he speaks at the opening session.

Gov. Green was much in the public eye during the recent Republican National Convention and was prominently mentioned as a candidate for vice president. He is a member of that group of young Republicans to whom, many contend, control of the party has passed.

Gov. Green was the Republican nominee for mayor of Chicago in 1939 and in 1940 won the Republican primary nomination for governor and was elected by a majority of approximately a quarter of a million votes.

His administration has been notable for a program of economy which has enabled the state to reduce its sales tax rate from three to two cents, while, at the same time, increasing state expenditures for pubic assistance and education. He has reorganized various departments and agencies to fit them better into the national war effort and to prepare for the postwar readjustment.

He was inaugurated in 1941 and is the second war Governor of Illinois in the present century.

He was born in Indiana and attended Wabash College. He left school in May, 1917, to enlist in the Army Air Service. Commissioned a lieutenant, he remained in the service until January, 1919, as a flying instructor.

After leaving the army, Gov. Green attended Stanford University. He later entered the University of Chicago, receiving his Ph. B. degree in 1920.

In 1926, he joined the staff of the Bureau of Internal Revenue in Washington, and a year later returned to Chicago as a special representative of the general counsel of the Bureau.

Appointed as a special assistant to the United States District Attorney for the Northern District of Illinois, he was assigned to the prosecution of income tax fraud cases, and, like Gov. Dewey, achieved national prominence by the conviction of some of America's most notorious gangsters. In 1932, he was appointed District Attorney, serving until he resigned in 1935 to resume private practice.

GOV. DWIGHT GREEN

TEMPLETON'S VIEWS

(Continued from page 1)

principally in the middle price brackets —$7,500 to $12,000.

7. There will be ample mortgage money. Rates may stiffen by about ½ per cent. It would be very bad for real estate if mortgage interest rates decline. Funds now available for mortgage finance will seek dividend, check and coupon investment on any further decline in interest rate on mortgages. If we have a severe flight of money from the mortgage market, there may even be a shortage of mortgage funds to properly finance the postwar real estate market.

8. Financial institutions which continue to invest an excess amount of their savings deposits in mortgage loans, may, at the end of the war, find both their savings deposit growth and amortization materially decline. If both mortgage interest rates and savings interest rates stiffen they may find themselves unable to be of material assistance to the real estate business in the postwar period.

9. Our people will at least desire, if not insist, that they have a greater say over all things that affect their personal affairs. Some control and regulation will be necessary to control inflation, but the effort is sure to be unpopular.

Chicago MBA's survey of Cook County mortgage recordings for the first half of 1944 shows that, of a total of 15,413 loans of $3,000 and up, 23 per cent, or 3,516, were made at 5 per cent while 22 per cent, or 3,426, were 4½ per cent FHAs which of course cost the borrower 5 per cent.

Paul G. Hoffman, Conference Speaker, Has Had Long Career in the Automobile Field

The business career of Paul G. Hoffman, president of the Studebaker Corporation, has a bit of Horatio Alger in it although he probably wouldn't relish that description. It is one of those successes that seem to happen only in America. He is one of the nation's most important business men and manufacturers and will be the opening speaker on the first Conference session.

Mr. Hoffman is chairman of the Committee for Economic Development and vice-chairman of the Business Advisory Council of the Department of Commerce. He is a director of the Chicago Federal Reserve Bank and United Air Lines, a director and vice president of the Automotive Council for War Production and a director and vice president of the Automobile Manufacturers Association. He is a trustee of the University of Chicago and Kenyon College, and a member of the visiting committee, Department of Government, Harvard University. He has served as national chairman of United China Relief.

Hoffman has five sons and two daughters and all five sons are in the Armed Services.

The story of how he got his start and rose to his present position is worthwhile listening to any time.

Born in Chicago, he entered the University of Chicago in 1908 with the intention of acquiring a legal education but decided, after one year, that business had greater appeal. The automobile was in its infancy and Hoffman went to work as a porter for the Chicago distributor of the Halladay car. He was soon selling cars.

Automobile selling at that time was in the hands of gentleman sportsmen and rich men's sons. He spent his time soliciting business in smaller towns around Chicago and soon his sales exceeded those of all the other four men in the company.

In 1910 the Hoffman family moved to Los Angeles. Hoffman got a job with the Studebaker dealer there. His success as a salesman culminated in his winning a national sales contest in 1914.

Paul G. Hoffman

Hoffman joined the Army as a private after the outbreak of World War I. He was a first lieutenant in charge of transportation at Camp Jackson, S. C., when the Armistice was signed.

In 1925 Hoffman accepted the position of vice president in charge of sales for the Corporation at South Bend and in 1935 was elected president.

NOTED IN PASSING: President H. G. Woodruff, Vice President L. E. Mahan and Charles A. Mullenix will be guests at Chicago MBA's dinner meeting September 26 when Dr. Marcus Nadler will speak . . . Frederick P. Champ, Logan, Utah, has been named to the legislative committee of Utah Bankers Association . . . F. C. Waples, Cedar Rapids, Ia., was a headquarters visitor on his way to Purdue for the rural housing conference where L. E. Mahan spoke . . . Frank's son is on the Purdue faculty . . .

They've been vacationing: Byron T. Shutz, Kansas City, in Ontario, Canada . . . S. M. Waters, Minneapolis, at Weekapaug Inn, R. I. . . Earle Vincent Johnson, Chicago, near Sturgeon Bay, Wis. . . . and these made up a party to Pelee Island in Lake Erie: A. D. Fraser, Miller B. Pennell and T. W. Grogan, Cleveland; Paul Vollmar, Clarke Stayman and W. C. Willging, Cincinnati; George H. Patterson, Chicago; and President Woodruff, Detroit. . . .

Jack East, formerly of Smith-Reid-East Co. and The Guardian Company, Little Rock, has formed his own firm, Jack Collier East & Co. . . . S. L. Billings of MBA's Utah chapter is a contributor to the *Tomorrow's Town* symposium on the new loan plan of the U. S. League . . . he thinks that "instead of proposing a new plan which on its face will require changes of laws and regulations that protect the small depositor of savings, why not suggest improvements to existing FHA procedures to include the few additional benefits to borrowers suggested in the US loan plan."

This issue completes the fifth volume of *The Mortgage Banker* . . . and the December issue will complete the sixth year of publication . . . We noted the other day that a Columbus paper published on June 18 the announcement of MBA's New York Clinic April 13-14 . . . Loans must be awfully scarce in New York . . . so much so that mortgage men there seem to be engaged in all sorts of activities . . . otherwise how can you account for Mayor La Guardia's statement to a senate war investigating committee "Why no later than yesterday a *mortgage* company offered our city 400,000 battle dressings at five cents apiece; 10,000 dozen pairs of hospital rubber gloves at $3.08 a dozen for heavy ones and $3.01 a dozen for light ones; 200 cases of evaporated milk at $3.15 a case . . ."

George Patterson figured up the other day that 16 of the 100 largest mutual savings banks are now MBA members and these 16 have assets of $2,577,922,707 as compared with total assets for the 100 of $8,775,249,866.

If I Were a Loan Correspondent

By NORMAN H. NELSON

IF I WERE a loan correspondent, here is how I would be thinking about such matters as —

Branch Office Competition. Loan correspondents built the mortgage accounts of the life companies. I do not question the right of insurance companies to establish branch offices or their statements that branch offices are more economical. I don't know how economical they are because I have never operated one. I do feel that the life companies owe much to loan correspondents and that they will have to rely on correspondents in the future to supply an adequate volume of loans.

I feel branch offices are working at cross purposes with loan correspondents in many instances; and that companies maintaining branches would do well to take stock of the ultimate effect of them on the mortgage business. I feel that the branch office system is a distinct threat to the independent mortgage banker and that the sooner we realize that the better. So if I were a correspondent I would sell my loans to only those companies which operate through independent mortgage bankers such as I would be.

Raiding. I would investigate carefully each loan that went off my books. I would not be the one to start a raiding program nor would I be the one to prolong it. However, if you solicit and take one of my loans, I will take one of yours—but no more than you take from me. And I will be willing to call a halt at any time. I will be lily-white in this matter of raiding loans but not a white lily. Acquaintanceship with the raider is helpful in stopping the practice. We don't raid friends.

Conventional Type Loans. These are the ideal loans to be made in depression periods or periods entering, or emerging from, depressions. But the conventional loan can be one of the poorest loans I can make in today's high market. Losses can occur more readily now than any time we have seen for many years. I would not expect my company connection to make loans into which I personally would not put my own money.

Bookkeeping. There are many savings which, if put into use in my loan accounting, will mean profits to me as a loan correspondent. For that reason I would adopt these practices, particularly for my FHA accounting procedure:

(*a*) I would total my monthly service fees on each loan for the year, divide them by 12, and make the same deduction each month. This is called the average service fee plan. It will save constant figuring of service fees and my bookkeeper can tell at a glance how much to charge. I would start this on the anniversary date of the loan.

(*b*) In calculating the overall monthly check which the borrower is to send me for the coming year, I would always figure this overall amount on an even dollar basis, that is $36, $46, or whatever the sum happened to be. This simplifies bookkeeping, and especially the balancing of these items, as I then have no cents figures, in the total payment column at least, in which to make errors. It speeds up balancing considerably. Of course partial payments would not be accepted.

Mr. Nelson is vice president and treasurer of The Minnesota Mutual Life Insurance Company of St. Paul. In an earlier article he told how he would regard the compensation factor if he were a loan correspondent. In this article he discusses branch office competition, raiding, bookkeeping and other matters.

N. H. NELSON

(*c*) I would discontinue the segregation of escrow accounts of taxes, hazard insurance and FHA insurance premiums. I would know that if I calculated correctly in advance the total to be collected for the year, and collected it, then the amount in the escrow account is sufficient and I have nothing to worry about. This procedure applies separately to each loan. In other words, each loan card would show the total escrow funds on hand for that loan instead of a break-down of the three escrow items. My ledger card would bear a memorandum showing how the total monthly payment was calculated. One mortgage banker with 5,000 loans found that this method saved 120,000 entries a year.

(*d*) I would have each borrower maintain an excess balance of $10 or more at all times. This would permit me to work on even dollar collections, take care of shortages, absorb slight increases in taxes or insurance, and disturb my borrower the least.

(*e*) As long as my business was of a reasonable size, I would enter loan payments as received directly on my remittance report and use the copy as my cash book. I would not install an elaborate machine-bookkeeping system until my business warranted it. I would try to adapt to my use the simple, comparatively inexpensive posting machine in use by banks.

(*f*) In accepting prepayments I would insist that the sum prepaid be not a flat sum of $500 or so but a sum equalling the exact amount of principal instalments next due which would approximate $500 or $1,000 as the case may be. This requirement will prevent disrupting the payment schedule and will save refiguring of interest.

How many correspondents, when notifying their insurance company connections of recent changes and happenings, make definite suggestions and give reasons? As a correspondent I would see that my first letter advising of changes and other problems, contained everything that I knew and could learn about the situation as well as definite recommendations. I would expect this to reduce the correspondence between me and my insurance connection and give me more time to produce business.

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Chapter President Says Something Must Be Done to Halt Inflated Appraisals of Some

Considerable apprehension is being expressed by mortgage men these days about possible inflationary developments that may result from certain operations of the G.I. Bill—provided the regulations permit lending practices that might stimulate these abuses. In the meantime, the subject of inflationary lending and inflated appraisals isn't getting the attention it did a few months ago. Even John Fahey hasn't issued a warning statement for some time. The president of one MBA chapter still ranks it of primary importance with his group. Writing to a member of our Washington committee he said:

"The situation here is worse than ever. As you know, we tried to convince the national association that the only sure cure for all of these building and loan appraisal practices would be new legislation which would either take away the savings and loan account insurance or require the Federals to use the FHA appraisal system. We were unsuccessful but are wondering if there might be a change in sentiment at this time.

"Certainly all of us who wish to stay in the FHA business are much concerned about the increasing number of loans on existing properties which the savings and loans are taking from us, but we are more concerned about the future when new construction is again possible. We are worried lest the building and loans get most of the new future construction loan business because of lack of property standards, fast service, no requirement for inspections, etc.

"Our local group is still anxious to proceed with legislation because we feel we have given the top officials plenty of time to correct the situation; and, as Governor Twohy has said, in referring to efforts to control the situation, 'This is all to the good so far as it goes; but with the terrific economic forces which are swiftly driving the competitors of all kinds into reluctant and almost involuntary abuses, is there not an urgent need developing for some organized prevention which will really hold the line?'

"We feel, however, that our local group cannot get anywhere with legislation unless we have the backing of the National Association.

"As a matter of fact, our Board is considering a resolution made by one of our members calling upon us to employ counsel to introduce proper legislation to correct the situation.

"I note that the Washington Committee has been very active in connection with the G.I. Bill; revision of FHA property standards; revision of reproduction costs, etc., and I think it is doing a good job. If we could only get the savings and loan industry, or at least the Federals, to adopt the FHA appraisal system and property standard system I think the country would be in good shape so far as housing finance is concerned."

HAS SUGGESTION FOR FHA REFINANCING CERTIFICATE

Despite all our effort and work in seeking to secure a more favorable policy regarding the FHA refinancing certificate, the agency seems convinced that it cannot do anything along the lines we have suggested. The head of one of the large Eastern life insurance companies wrote us recently bringing up the same question others have mentioned recently:

"As you know, FHA takes the position that the mortgagor is the final arbiter as to whether or not a new insured mortgage is to be placed with the existing mortgagee on the grounds that to do otherwise would place the FHA in the position of causing the new mortgagor additional expense or inconvenience.

"As opposed to this interest in looking after the welfare of the mortgagor, the FHA will not allow a mortgagor to pay the prepayment penalty to the FHA and then carry the unpaid balance of the mortgage as an uninsured mortgage without the necessity of cancelling the mortgage papers from record which necessitates preparation of new loan papers with attendant title expense, recording fees, etc. In other words, the mortgagor's position is not given any consideration from the standpoint of additional costs or lowered monthly carrying charges. This would seem to be inconsistent with the policy followed by the FHA in its interpretation of practical application of the refinancing certificate."

FROM THE PRESS

Looking at Uncle Sam's present position in the housing field with as many ifs and ands and statistics omitted as possible, here's the picture: the government now owns or has a financial interest in some $3 billion worth of housing. This consists of upwards of $1 billion of subsidized housing for low-income families, some $800 million of permanent war housing, and more than $1 billion of temporary war housing.

Of the $1 billion worth of subsidized housing, some $250 million has been temporarily converted to use by war workers and about $100 million has not been built.

And here are the latest statistics on one phase of housing: War housing, completed or under construction since the summer of 1940, now totals over one and three-quarter million units, which will house approximately 5,600,000 persons, including war workers and their families. Total completions now amount to 1,627,290 units of which 889,625 accommodations have been done through private financing and 737,665 completed by public financing.

The general property tax in the U. S. produced $4½ billion in 1941, representing about a fourth of all tax collections by all levels of government.

NORMAN NELSON

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I would always remember that I, as loan correspondent, need the insurance company as much as it needs me. We must not try to trick or out-smart each other. We must avoid destroying the earnings of each other for the benefit of contractors or builders or other parasites on the mortgage business. We must work together for our mutual benefit and that means with fair compensation for each or we may find the mortgage business has slipped away from both of us.

FACTS ABOUT THE BUSINESS

Lowest Income Families Show Decrease and Families With Most Income Show a Gain

OF ALL the subjects relating to the postwar mortgage business, none has been more widely discussed than the question of how private capital is going to reach down to the lowest income groups and offer the man earning $2,000 a year a decent house on terms and conditions he can afford.

The answer hasn't been found, although the public housers are probably convinced that the subject was settled long ago and that the only solution is for the federal government to shoulder the responsibility.

The purpose of this page isn't to record arguments and opinions but merely factual data; so let's look at some statistics which have a bearing on the matter.

Note the left chart at the bottom of the page. It shows how our rising national income has changed the different family groups. The lowest income group is considerably smaller and the highest income group is larger. If, as many contend, the present price level is likely to remain for a long time, it is plain that we are going to do business with American families with higher incomes than before the war. What the ultimate effect of this will be is open to question. The companion chart merely shows how consumers spent their money in 1942.

Now consider the distribution of income by groups of non-farm families in 1935-36. These figures naturally do not reflect the vast changes which the war has brought about but they represent the most recent normal period and are worth reviewing as a guide to see how the different family groups vary. Here is the government's data:

Income Groups	*Total Number of Families*	*Number of Nonfarm Families*
Under $250	1,162,890	330,204
$250-$500	3,015,394	2,156,431
$500-$750	3,799,215	2,690,815
$750-$1,000	4,277,048	3,250,004
$1,000-$1,250	3,882,444	3,089,194
$1,250-$1,500	2,865,472	2,263,901
$1,500-$1,750	2,343,358	1,909,768
$1,750-$2,000	1,897,037	1,599,816
$2,000-$2,500	1,420,883	1,232,547
$2,250-$2,500	1,043,977	891,668
$2,500-$3,000	1,314,199	1,136,272
$3,000-$3,500	743,559	642,814
$3,500-$4,000	438,428	378,545
$4,000-$4,500	249,948	218,553
$4,500-$5,000	152,647	135,615
$5,000 and over	793,801	706,949
Total	29,400,300	22,633,096

Postwar plans for construction aren't as far along as many believe. The Committee on Postwar Construction of the American Society of Civil Engineers says that the volume of postwar engineering plans underway or completed totals $3,506,493,000. This is less than one-fourth of the $15 billion volume of all construction estimated as necessary for the first postwar year, according to studies of the Committee.

FAHEY REPORTS ON HOLC LIQUIDATION PROGRESS

John H. Fahey's latest report to congress again shows how far HOLC has progressed in liquidation.

The agency has liquidated its cumulative total of loans and property investments by nearly 60 per cent—from $3,486,000,000 to a balance of $1,434,000,000. It has sold more than 93 per cent of the houses it took over. The marketing of 183,862 of the 197,366 houses acquired represents the largest merchandising task of the kind in the nation's history. Other highlights of the report are:

On Dec. 31, 1943, the Corporation owned 13,504 houses, equivalent to only 1.3 per cent of the 1,017,821 loans it refinanced from 1933 to 1936.

HOLC's loan accounts have been cut to 692,000, or by 32 per cent—chiefly through payments of borrowers' and purchasers' balances in full ahead of requirements.

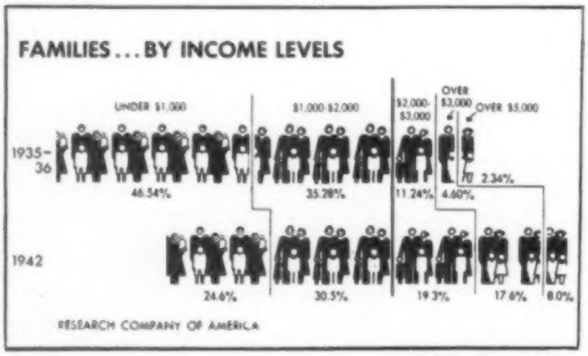
A total of 102,895 loans were paid off in full during 1943. In addition, borrowers made advance payments amounting to $63,025,000.

During the last half of 1943 alone, total liquidation of HOLC accounts amounted to $200,081,000.

Sales during the six months effected a reduction in the capital value of real estate owned by HOLC from $191,289,828 to $96,455,077.

Of the million home owners refinanced by the Corporation less than one out of five have gone to foreclosure.

Number of employees on December 31, 1943, was 3,241, as compared with 20,811 at the peak.



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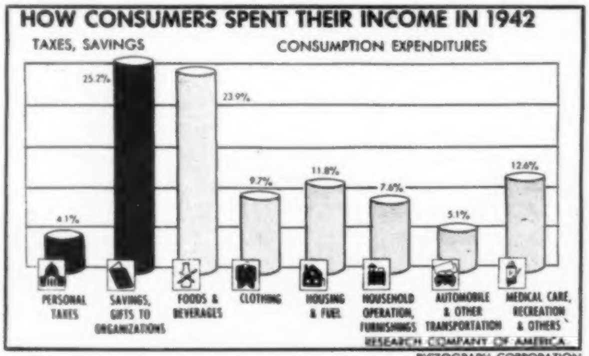

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SEPTEMBER, 1944

MBA Portfolio Members Report Practically No Vandalism in FHA Foreclosure Cases

SEVERAL weeks ago during a series of conferences between members of our Washington Contact Committee and various federal officials, the question was raised as to the protection being afforded unoccupied FHA properties during foreclosure and what the risk was from vandalism during this interim period.

Little information of an authoritative nature was available on the subject and, as a result, our portfolio lenders were sent questionnaires asking for their experiences. We now have their replies and—to state them briefly—it would appear that any fears along these lines have been almost entirely unjustified. Practically all lenders report satisfactory experience. Those which have had foreclosures report that they have gone through like clockwork, vacancy has not entered into the picture in most cases and, in general, the whole procedure has left little to be desired as far as the mortgage lender was concerned.

We also inquired about these lenders' experiences in securing debentures and any resulting delays. "Resulting delays" are hardly the words because the large majority of those replying say they haven't had any delays and are well satisfied with the way the foreclosure actions have been handled.

But, of course, there are exceptions. One Middle Western lender reported that he had trouble in three cases.

"In one case the owner on leaving removed some of the plumbing and other fixtures and did some deliberate damage to the property. The neighbors or others removed some of the plumbing. As a result, we were put to several hundred dollars expense in placing the property in condition acceptable to FHA.

"In another instance, the owner and a tenant moved out of a foreclosed property in Oklahoma City, permitting the plumbing and water pipes to freeze. There was considerable damage to the plaster, woodwork, as well as the plumbing itself.

"We have had at least one case in which the owner removed linoleum and other fixtures in connection with a loan where the mortgagee was not required to repair waste. Of course, we have had so few FHA foreclosures that our experience is no indication of conditions which may prevail in event of extended foreclosing."

A West Coast insurance company officer writes:

"Although our experience has been limited, we call attention to the following points upon which we think marked improvement is possible:

"Application for debentures was made July 28, 1941, and debentures received November 26, 1941, due to intervening technical requirements such as:

(a) Specific title insurance required that there had been no violation of covenants, conditions and restrictions affecting the title. This incurred a further expense to the lender.

(b) Detailed statement required by FHA as to all payments and the application thereof and all receipts in disbursements from trust accounts involving excessive detail which would be totally unnecessary if FHA would accept the sworn statement of the lender certifying as to the amount of the claim.

(c) FHA requires receipts as to taxes, etc., advanced when the title policies to issue or issued show status of taxes. This requirement is superfluous.

(d) Most of our business is conducted through correspondents necessitating the relating of FHA's requirements causing a great deal of correspondence to bring the case into full compliance with every item FHA imposes.

"It is my suggestion that FHA decentralize this phase of its operation and empower their district offices to accept title and possession and to make the exchange for debentures or at least to issue the order for the debentures. In this way, conditions affecting title that may be peculiar to the local situation are regarded in the customary light and not from a super-technical aspect. In some of the smaller areas where permanent attorneys are not retained by FHA, a part-time basis could be arranged for the protection of FHA in matters affecting titles."

An Eastern insurance company executive recites his experience: "Of a total of approximately 13,000 FHA loans on our books, we have completed foreclosure on only three small ones. We transferred title to FHA on two and disposed of the other by sale without applying for the benefits of insurance. Our mortgage department thinks FHA regulations should be changed to allow more than 30 days after acquiring possession in which to tender deed to the Administrator. It seems that in each case it has taken more than 30 days in which to perfect title and submit the necessary documents to FHA, and we have been required to ask for further time.

"We are about to foreclose a group of 90 loans on a Section 603 project which never had more than five or six occupants. The failure of the project was because of the inability of a satellite plant to obtain the planned and de-

(Continued Page 8, Column 1)

Briefly Noted

Cleveland MBA meetings were suspended for the summer but the Chapter held its annual picnic August 17th. Principal activities of the day included the annual baseball game between the bankers and the insurance company representative, horseshoes and beer-drinking. L. R. Reifsnider, Chapter vice president, headed the entertainment committee and Bill Underwood, Paul M. Minter and Harold Pratt handled ticket sales.

Real estate interests in the Greater Cleveland area have selected Charles A. Mullenix, MBA past president, as their representative on the National Industry Advisory Committee on Rent Control, a group which will confer periodically with OPA in Washington.

With deep regret we learn that Lt. Commdr. Jack Gordon Campbell, son of Roy Campbell, vice president, Chicago Mortgage Investment Company, has been reported missing in action. Lt. Commdr. Campbell commanded the S-28, 25th submarine lost since the war started.

REPORT ON VANDALISM

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sired number of workers. There is substantially no income from the project at the present time, and we are facing a real problem of protecting the property during the foreclosure period and until FHA accepts title. The sponsor has been cooperative and has agreed to furnish some measure of protection. We intend to watch the situation; and even though we may have no technical liability, I think we will step in and see that the property is cared for even if that means spending some money which we may not recover. However, there is a limit to what sponsors and mortgagees will do, and we think it highly desirable for FHA to amend the rules and regulations in order to encourage protection of unoccupied properties during the period of foreclosure and until the properties are turned over to FHA."

Washington Letter

By H. LOY ANDERSON

MBA *Associate General Counsel*

The Farm Security Administration has sold to individual farmers about two-thirds of the farm units in its resettlement projects. Mr. Cooley, Chairman of the Select Committee on Agriculture to investigate the activities of the Farm Security Administration, has held hearings on a Bill introduced in the House on June 23, 1944, which provides for the prompt liquidation of government interest in cooperative farming and land holding projects within eighteen months from its passage. These ill-fated experiments in communal living can now be completely liquidated within this time.

The Bankhead-Jones Act was passed for the express purpose of reversing the Tugwell policy of herding farmers into federal colonies and was designed to encourage farm home ownership. This Act by implication called for liquidation of these projects; but it was long delayed and the FSA continued to set up new projects of this type under different names.

Two years ago, the Comptroller General became informed of the methods which the FSA was using to organize non-stock, non-profit corporations and the lending of the corporation funds for the purchase of land. The Administration had no authority to acquire or purchase land for resettlement projects and circumvented this fact by setting up corporations such as Land Purchasing Association, Land Development Projects, Cooperative Farm Projects and Re-Location Projects to do what it could not do. He immediately ruled that they had no more authority to set up such corporations than it had to make direct purchases of land.

The FSA program was investigated by the Cooley Committee and it would seem that they made an impartial and thorough investigation. It revealed that instead of promptly liquidating the old resettlement projects, the FSA created and financed additional projects in exactly the same way. The Committee, in its report, stated that the FSA followed the Russian plan of collective farming. Testimony revealed that every project had a record of great financial disappointment.

Communities were built with power plants, packing plants, furniture factories, canneries, homes, shops, etc. Loans and grants of federal funds were made according to the wishes of the FSA officials. Funds were provided for workshops, plows, tractors, farm implements of every kind and description as well as for marriage licenses and burial expenses. Tenants were told what to plant, where to sell their crops and how much to cultivate. Even in view of all this, practically all of the colonies were unsuccessful. There can be no question of the gross misjudgment and mismanagement used in trying to collectivize American farms. The Cooley Committee is largely responsible for bringing this matter to the attention of Congress; and it would appear that the legislation when enacted will promote farm ownership which was unquestionably the intent of Congress when the Bankhead-Jones Act was passed in 1937.

The new Bill provides that borrowers who have been financed by the Farm Home Corporation for five consecutive years must pay their account in full before any further loans can be obtained from the Corporation. The requirements of an annual audit by the Comptroller General will give some measure of protection against the abuses that were prevelant for many years in the administration of this program. The Bill provides for preferances for veterans and for private capital to participate in financing the farm home acquisition program.